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PVO/NGO TOOLS FOR HOUSEHOLD AND BUSINESS IMPACT ASSESSMENT: REPORT OF A PLANNING MEETING

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EXECUTIVE SUMMARY

A key component of USAID's Assessing the Impact of Microenterprise Services (AIMS) Project is the development of affordable and practical evaluation tools to assist PVOs and NGOs in assessing the impact of their microenterprise programs. The AIMS tools component envisions that the design of the tools will include two discrete field tests as part of their development, as well as the production of a manual, and the conduct of two field-based workshops. This document summarizes the issues to be faced in developing these tools, and sets a course that is grounded in the experience of the PVO community and their NGO partners, and that involves their representatives in design and testing. The discussion and decisions recorded here are the results of a two day planning meeting, held June 26 and 27, 1996 among members of the Agency for International Development's Microenterprise Development Office, the AIMS consortium, and the SEEP Network's Evaluation Working Group. The agreements reached will serve as the basis for the design phase to commence in late 1996 and the testing phase to begin in early to mid 1997.

Participants agreed that the new evaluation tools must have three characteristics: they must provide clear evidence of impact to external constituencies, as well as program performance information; they must be low cost; and they must include both a core set of tools (and indicators with standardized definitions) recommended for all users, with a set of supplementary tools (or components) addressing areas of impact of interest to specific PVO/NGO constituencies. In addition, the focus of the tools should be on the poorer clients of these programs. While it is recognized that microenterprise programs cover a wide range of economic levels, it is also clear that more traditional methods for business level assessment may work for somewhat larger enterprises.

It was also recognized that the tools should be designed for use by PVO and NGO field staff, and that this implied simplicity in their design, a minimal level of training for data collection, and guidance for fairly quick analysis. The target cost should be no more than three to 10% of a program's operating budget, with the range in inverse proportion to budget size.

A preliminary set of core and supplementary hypotheses focuses the tools design work on methods that will provide information at the client, business and household levels, and on key areas such as assets, income, household welfare, child labor, increases in self-esteem and resource control by women clients, increases in paid labor, and in the net worth and cash flow of assisted enterprises. These hypotheses were matched to potential indicators and data collection and analysis tools. The tools fall into three categories: management information systems, quantitative surveys, and qualitative methods. In reviewing PVO/NGO past experience with these, it was determined that each presents a unique set of challenges. Of the three types,

the quantitative survey approach seemed to offer the easiest path in terms of the hypotheses, and of the skill and cost limitations. Further research and analysis will be required to develop the right mix of qualitative instruments, and to determine the level of effort that can be applied to MIS development.

A set of decisions was made regarding the selection of local partners for the development and testing of tools, regarding site selection criteria, and regarding the implementation schedule. Of great significance is the decision to use field work to test the tools with a limited number of clients rather than seek to undertake two full-scale impact evaluations. This approach is more in consonance with both the budget for this activity, and with the focus on tools development. The report concludes with an implementation plan for the next phase of tools design and the first field test. Subsequent work will focus on a second test, the development of a manual, training and dissemination.

I. INTRODUCTION

A key component of USAID=s Assessing the Impact of Microenterprise Services (AIMS) Project is the development of affordable and practical tools to assist PVOs and NGOs in assessing the impact of their microenterprise programs. This component responds to their growing interest in evaluating the social and economic impact of these programs on clients, their businesses and households, and to do so in a way that recognizes three key constraints PVOs/NGOs face:

- the relative small amount of resources available for evaluation;
- the low level of evaluation capacity in the community; and
- the lack of measures and methods relevant to critical areas of desired impact.

It is expected that the component will result in a number of significant outcomes:

- a set of recommended indicators for PVOs/NGOs to measure impact at the levels of individual, business and household;
- an associated set of tools or methods;
- documentation to support their application in field programs; and
- a group of trained PVO staff at the headquarters and field level who can both implement these new evaluation approaches, as well as transfer these techniques to other practitioners in their agencies and networks.[1]

This document summarizes the issues to be faced in achieving these outcomes, and sets a course that is grounded in the experience of the PVO community and their NGO partners, and that involves their representatives in design and testing. The discussion and decisions recorded here are the results of a two day planning meeting, held June 26 and 27, 1996 among members of the Agency for International Development's Microenterprise Development Office, the AIMS consortium, and the SEEP Network's Evaluation Working Group.[2] The agreements reached will serve as the basis for the design phase to commence in late 1996 and the testing phase to begin in early to mid 1997. The testing phase will include two field level applications of prototype tools to a sample of microenterprise clients. While not full scale assessments of the impact of the programs in test sites, they will provide sufficient

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[1] Most specifically, this component will result in the following deliverables that will embody these outcomes: a tools planning meeting and report; two country reports and briefs reporting on field tests of the evaluation tools; an evaluation manual for PVOs/NGOs; and two regional workshops disseminating the new tools.

[2] A list of participants is enclosed as Annex B.

information to give program staff an indication of client impact, and will be sufficient for the further development of the tools themselves.

II. BACKGROUND

The history of PVO interest in developing credible, useful evaluation tools goes back at least 15 years, and can be traced most notably through a series of publications beginning with the *Evaluation Sourcebook* (1982); the *Step by Step Guide* (1985), *Participatory Evaluation: A User's Guide* (1986); and *Self-Evaluation: Ideas for Participatory Evaluation of Rural Community Development Projects* (1986).[3] Historically, each of these efforts emphasized:

a) a "systems" approach that involved two levels of consideration:

- viewing the client (or beneficiary) as part of a system that involved the household, business, community, and institution; and
- emphasizing that monitoring and evaluation be incorporated into the life cycle of the program and project, rather than occur as occasional and discrete events;

b) a bias towards internal data collection and ongoing review/reflection;

c) a blending of quantitative and qualitative methods with a view to increasing credibility of the results by triangulation, or using various methods in combination; and

d) a bias toward participatory techniques that value client perception and their understanding of the process of development in which they are engaged.

Increasingly, members of the SEEP Network have turned to more rigorous studies of impact that are also practical in nature. For example, some SEEP members have used qualitative research techniques to explore aspects of women's empowerment resulting from credit activities (Calmeadow staff). Others have carried out small and large scale studies of empowerment, especially focusing on decision making and resource control (Save the Children). Yet others have conducted rigorous studies of credit impact on children's nutritional status and health, as well as women's use of family planning services (Freedom From Hunger and Save the Children). With greater frequency, these studies are longitudinal in nature, and rely on information from women clients and from comparison groups.

In addition to these agency initiatives, there has been renewed effort to

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[3] While written from the perspective and experience of PVOs (with whom the SEEP Network and the writer are most familiar), it is important to note that the interest is shared broadly by many NGOs. These local non-profits have been consistent users of the materials mentioned above; and many have developed their own approaches reflecting similar concepts as well.

exchange experience and learn from each other. Three years ago, the SEEP Evaluation Working Group re-formed. Since that time, the group has documented approaches to evaluating impact, and shared tools through correspondence and regular meetings. Within it are represented both staff with evaluation responsibilities and experience, as well as microenterprise experts. The participating organizations represent programs that utilize poverty lending, microfinance, and non financial assistance strategies, as well as those that link enterprise development with nutrition, health, and educational interventions.

Despite these efforts, there have been a number of factors which have prevented the full and effective use of the concepts and tools developed:

- The manuals referenced above generally incorporate a "menu" approach, avoiding prescriptions. While this has valued the differences in programs, agency capability and interest in evaluation, it may also have resulted in agencies' "floundering" in terms of setting a systematic procedure for assessing impact.

- As staff turnover has occurred, and as the number of agencies interested in the field has increased, the lack of familiarity with key evaluation and action research concepts, including study design, analysis, and tool selection has increased.

- Agencies have been unable to provide systematic training to staff to enable them to successfully apply these approaches.

- There has been an overemphasis in the field on financial impact at the expense of indicators of ultimate economic and social impact.

- There have been insufficient resources to devote to tools development and implementation.

- And, there have been real concerns about the trade-off between being able to measure impact accurately and still provide credit services in a financially sustainable manner.

A new effort at tools development needs to understand and address these constraints by not only creating new methods, but also by increasing consensus regarding the value of impact assessment, and by building a growing support community for those who practice it.

III. A CONCEPTUAL FRAMEWORK FOR IMPACT ASSESSMENT

As this tools development process commences, it has the benefit of a body of research completed by members of the AIMS team that captures the state of microenterprise evaluation research, articulates a conceptual model of the household economic portfolio, and considers measurement issues with regard to income, assets, debt, and risk in light of that model.[4]

While much of this material has been developed with a view to designing a set of rigorous longitudinal evaluations, it also provides a framework for understanding more clearly how microenterprise development intersects with households' and individuals' economic goals and behaviors, suggests broader avenues in which impacts might manifest themselves, and underscores the complexity of capturing them. At the planning meeting, participants identified a variety of implications for practitioner-oriented tools.

A. Findings from Previous Evaluation Research

It is first important to place this current attempt at designing appropriate impact evaluation methods within the context of what has passed before. The "Overview of Studies on the Impact of Microenterprise Credit" summarizes the findings of 32 evaluations, examines what the key impact questions have been and how they have been studied, and suggests lessons for future impact studies. The authors indicate that:

> Overall, each [study] suggests varying degrees of positive impact on program participants, most significantly increased income. In addition, many of the studies show important non-income changes, notably, improvements in assets, household security, and consumption. The studies show mixed effects upon employment, children's schooling, and women's empowerment. While the programs are effective in reaching large numbers of poor households and especially women, credit has a differential impact on groups within the poor. Finally, the studies often refer to factors outside of program interventions, such as economic conditions or policies, which have profound influence on microentrepreneurs, their enterprises, and households. (Sebsted and Chen, 1996)

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[4] The titles of these desk studies are included as Annex A. For information on obtaining copies, e-mail AIMS@msi-inc.com; fax: (202) 484-0754; or consult the website at http://www.mip.org.

At the same time, the report highlights methodological issues associated with many of the studies including inadequate attention to addressing self-selection issues, non-random placement of programs, and the non-inclusion of program drop-outs in the surveys. In addition, present research does not adequately address individual and community level impacts, the effect of context, of socioeconomic profile, and the related roles of income and assets in reducing poverty and promoting longer term household security.

Also of note was the lack of clarity in many evaluations regarding the specific methodology utilized by the programs studied. Given this, it was difficult to make any generalizations regarding the capacity of various types of intervention to achieve specific social or economic outcomes. For example, the mixed results with regard to women's empowerment may be due to the relative importance various programs give to facilitating this transformation in its participants.

In light of this, participants agreed on the importance of developing a common reporting protocol so that information critical to understanding the program is available. Among the items to be included are characteristics of the program methodology, the types of enterprises assisted and the size of loans received, the socio-economic status of clients, and the levels of sustained participation exhibited by the client sample.

B. The Household Economic Portfolio Model

Against these past efforts at capturing impact, the AIMS Project starts with a conceptual view of the household and its economic portfolio that seeks to lay out directly how a microenterprise is situated within a broader household strategy to achieve economic security and family well being. It is based on two premises: first, that a household's economic activity can be viewed as a portfolio of income generating and investment strategies designed to, together, achieve specific goals. Secondly, because especially among poorer families the microenterprise is firmly embedded in the household, searching for impacts requires a lens on the full range of economic activities undertaken. Further, it posits four key framing assumptions:

- the makeup of the household is site specific and culturally determined, and its composition and relationships affect how microenterprises are viewed and managed, and how their benefits are allocated; the nature of households within program communities then, must be understood as a prelude to determining where and how impacts might manifest themselves;

- the household is linked externally to larger social networks through which it gives and receives resources (based on reciprocal relationships);

- there is both individual and joint decisionmaking within the household regarding

the allocation of resources and the selection of productive activities; resource flows into the household may be directed to the whole or to specific individuals; may be controlled jointly or separately, and may result in both combined and individual efforts; how these decisions and actions are taken are affected by gender and age roles, status and other considerations; and

- there can be both cooperation and conflict around these and decisions affecting how outcomes are produced and who benefits from them.[5]

In looking at this model, participants recognized its utility in explaining and addressing key aspects of their clients' engagement in microenterprise development that have proved troublesome in evaluation research:

- This model is useful for understanding, and discussing impacts, especially among the poorer households where the enterprise operates completely within the household.

- Its clarity with regard to gender issues, particularly the existence of both individual and joint decisionmaking within the household, and the possibility of both cooperation and conflict in making these decisions, provides a more rational basis for understanding women's choices and actions than a unitary model. In addition, its recognition of household reproductive and maintenance activities allows one to look at how increases in enterprise related work affect not only women clients, but also their children.

- By amplifying the model to include a range of program related services (not just credit, but also business development services, savings, etc.), the model can more clearly reflect the variety of program services that institutions offer to the household. A second key amplification would be to explicitly include solidarity group support as part of the social networks that also make claims or provide resources to the household in those programs that use that methodology.

- The model allows practitioners to address the issue of fungibility of credit by opening up the range of possible impacts to include those on other productive activities in the household, and on consumption, while providing an explanatory framework for these choices.

C. Assets and Income

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[5] For more on the model, see "Household Economic Portfolios," (Chen and Dunn, 1996). A graphic of this model is included in Annex C.

The household resource portfolio model provides a lens into the way households and individuals within them, the clients of microenterprise programs, seek to protect, increase and manage their income and assets; how they use debt to support these goals, and how microenterprise activities both effect and are effected by risk mitigation strategies aimed to preserve economic security.

Assets and income are two essential components of microenterprise performance and household wealth. Assets are the stock of wealth in a household, enterprise, or other unit and include possessions, rights or claims related to property, and intangible commodities (such as access to credit, human capital, cultural capital, informal social capital, organizational and political capital). They have been associated with increased future orientation and enhanced self-esteem. Income, on the other hand, represents the monetized flow of goods and services (minus costs) over a period of time, and provides the basis for increases in family consumption and well being.

Within the household, the divide between business and personal assets is often not clear, as many have multiple uses. Some may be used across several productive activities, and an asset purchased with a loan for one targeted microenterprise may in fact find its use in other activities. The full store of assets available to a household may not be known to all its members. Women, for example, may place money in a microenterprise program's savings service without the knowledge of other household members to build a resource to support their children against a future crisis. To the extent that microenterprise services allow individuals and their households to increase and better manage their store of wealth, this is a valuable impact. Whether more impact might be generated by targeted investments into the program-supported enterprise, than by more flexible allocation, is an unresolved question.

The extent to which income from the targeted microenterprise increases, then, is a function of the investment decisions made, as well as the profitability of the business itself. Loan proceeds diverted to other activities will obviously not be able to generate returns within the focus business. Further, even when investments are made in that business, it may yield low returns due to the type of activity selected. When one views that enterprise within the frame of the whole portfolio, it becomes clearer that low return activities may be selected as part of a diversification strategy that allows higher risk and return activities to be undertaken by other household members.

The documentation, measurement, and attribution of change (to the intervention) in both assets and income, consequently, are affected by the fungibility of financial resources, and pose serious difficulties for evaluation. At the same time, because increases in income and assets are central goals of microenterprise programs, practitioners need to find satisfactory methods of tracking change in one or both. In considering these issues, participants reached the following conclusions:

- There was agreement that an approach that focused on key assets, and that did not overly try to match them with specific enterprise or household uses, had great merit.

- The difficulty of direct measurement of income was acknowledged, and a strong preference for proxy measures was articulated. While some participants were willing to consider assets as a sufficient proxy, others felt strongly that a more direct measurement was desired, perhaps expenditures (or an effort to capture revenues as well as expenditures).

- It is important to recognize maintenance or strengthening of economic security as a positive outcome, especially at the poorer levels. Indicators that most directly served as markers of this, such as maintenance of assets in the face of crisis, would be an important aspect of looking for impact. In this respect, the necessity of a control group was also underscored.

D. Debt and Risk

As households seek to increase current income, invest in the future, and cope with crisis, debt becomes a strategic tool. Debt is incurred from a variety of formal and informal sources, and represents a future claim on enterprise or household resources. It is important to recognize that microenterprise programs introduce a new source of debt into environments where the use of debt is already widespread. And empirical studies present several important considerations:

- that even when program loans are introduced, microenterprises will continue to borrow from a variety of sources;
- that debt may be incurred by different household members, without each other's knowledge; and
- that, as suggested above, some microenterprise credit may be allocated to consumption and some to nontargeted microenterprises.

Given these facts, practitioners should not expect to find reduced indebtedness as a result of their efforts, although there may be an improvement in the terms of debt incurred (such as reduced interest payments). More appropriate indicators of impact might be changes in the sources of debt (more formal and less informal as the microenterprise grows), and a reduction of borrowing associated with interlinked transactions. A final area of fruitful inquiry might be to explore changes in the use of program debt over time, as at least in some instances, repeat borrowing appears correlated with investment in fixed assets.

Finally, debt must be viewed as one of a variety of risk reduction strategies (also

known as income smoothing) and loss management strategies (also known as consumption smoothing) commonly used by poor households. Participation in microenterprise programs both affects and is affected by the strategies used. For example, participation in savings programs increases the assets clients may have to draw upon in case of a crisis. Clients may balance low and high risk productive activities, just as middle class investors diversify their stock portfolios. Or, diversion of microenterprise loans to consumption can avert the sale of an income producing asset, thus preserving the household's economic base.

An understanding of these strategies, again, helps practitioners look more broadly for the impact of their intervention than in traditional ways. And, the portfolio concept helps clarify what may appear to be less than economically rational choice of productive activities. It further emphasizes the notion that economic security is often the first goal of poorer households, and tools sensitive to progress in this area are especially important.

IV. PREMISES FOR TOOLS DEVELOPMENT

The development of low cost, appropriate practitioner oriented tools must be based not only on these challenging impact issues, but also on a set of premises that recognize the needs of the practitioner community. These premises relate to: the purpose for the tools, the intended users, the expected levels of time, skill and costs that can be applied to their implementation, and the levels of validity and reliability that can be achieved. In addition, there are a set of premises that relate to the manner in which this activity interacts with other components of the AIMS Project, and to the potential field partners who will assist in their design and testing.

A. Purposes

Any new evaluation tools must serve three purposes:

- They must enable organizations to provide clear evidence of impact to their various constituencies, as well as gather information for improved program performance;

- They must provide a cost-effective method of tracking impact; and

- They must include both a core set of tools (and indicators with standardized definitions) recommended for all users, with a set of supplementary tools (or components) addressing areas of impact of interest to specific NGO constituencies.

In addition to these purposes, the **focus** of the tools should be on the poorer clients of NGO programs. While it is recognized that microenterprise programs cover a wide range of economic levels, it is also clear that more traditional methods for business level assessment may work for somewhat larger enterprises. The harder task is to assess impact among those clients for which the household and enterprise are intertwined, and for whom gains, which might appear marginal to economists, may reflect significant steps in stabilizing an economic base, and creating a foothold for future development.

B. Intended Users

Users need to be considered at two levels:

- In terms of the organizations that might use the tools, there are a wide variety of methodologies practiced and services offered. For this reason, a core and supplementary module approach seems a necessary strategy to combining clear guidance and flexibility.

- In addition, the tools must be designed to be applied by field staff. This would include both program management as organizers and field personnel as data collectors. While in some instances, programs may choose to hire outside consultants to implement the evaluation, the tools must be easy to use.

C. Skill, Time and Cost

- Given the intended users, it is expected that the skill levels in evaluation will not be high. The implication is that the tools must be simple, and require minimal training. They should include participant self-assessment tools as well as staff administered ones. And, they should be designed with a view to enabling easy analysis.

- The tools should be designed to accommodate the limited time available to practitioners for such tasks. They should be able to be applied longitudinally, but with limited frequency. Further, analysis time should also be modest, and proportionate to the time demands of staff as well as their need for rapid feedback for program performance.

- While it is difficult to define a precise level of investment that evaluation should require, there was some sense that the costs should range between 3 and 10% of the annual operating budget, with the percentage in inverse relationship to the size of the budget. These costs include not only direct outlays but also the cost of staff time, and training, dedicated to the task.

D. Validity and Reliability

Validity and reliability are two central concepts in evaluation. One's confidence in the findings of a particular evaluation depend, in part, on the extent to which the measures used to assess impact truly measure what they are supposed to measure, and whether they consistently do so. Translated to practitioner oriented evaluation, the issue can be stated as follows: within the confines of less rigorous approaches, what can be done to increase the credibility of findings, both to ourselves and outsiders? In answering this question, several premises were put forth:

- Given the difficulties inherent in measuring some of the key impacts practitioners seek, such as income, it becomes imperative to identify simpler proxies that can be relied upon as markers of change.

- To support consistency in results, pre-testing must be emphasized.

- To increase credibility, guidance should emphasize such practices as:

-- assigning field agents to sites other than their own for data collection
-- using peer review: inviting colleague agencies to conduct or participate in the evaluation research
-- including comparison groups in the research, and
-- facilitating participant involvement in the evaluation.

E. Field Testing

Two field tests are envisioned as part of the design process. In looking at how these tests can best be used to advance the development of tools workable for the broad range of practitioners, five objectives were agreed to. The field applications should be constructed to:

- test the user friendliness of the tools
- focus on their application with poorer clients
- test core and supplementary modules
- test their applicability in different types of settings (rural vs. urban) and to different program methodologies
- ensure a longitudinal application.

This last objective has implications for the choice of local partner as it means that the host organization will need to commit to repeating the application of the tools a second time on their own. In addition, the partners must meet several other expectations:

- There must be a willingness to commit time and personnel to the task.
- There must be an agreement to participate in developing the protocols for the administration of the tools, to follow them and to provide feedback on their use.
- There must be a willingness to share the results of the test in published form, and through training activities that are expected to occur at the end of the development phase.

Finally, it is envisioned that the partners for the two tests should exhibit certain additional characteristics:

- They should be SEEP member agencies or their local partners.

- If at all possible, one should be an institution engaged in AIMS' more rigorous longitudinal research. This would permit practitioners to gain from the knowledge and experience of the AIMS core research team, as well as test the comparability of results from the two approaches. To the extent that the two processes study similar hypotheses, it would provide a check on the credibility of the findings emerging from the practitioner methods. Whether this type of

overlap will be possible is dependent on the institution's willingness to participate in both efforts, and whether it meets the other criteria outlined above. As a fallback position, another agency working in the same or similar country context might undertake the test, although this would diminish the comparability of the core and tools components.

More than anything, it is clear that the key to a successful tools design and test is a motivated partner, and that this will be the primary criterion used in making the final selection.

V. HYPOTHESES

What hypotheses can capture the range of impacts suggested by the conceptual framework, that are important to practitioners, and to the clients themselves? This question does not have an easy answer, and participants wrestled with the challenge of capturing the essential elements within a limited number of hypotheses. At the same time, it was apparent that this first effort requires additional consultation and reframing. In developing a preliminary list of hypotheses, participants drew upon a draft set prepared by the AIMS research team, and used that as a base to create a list that acknowledged important social and economic outcomes, especially for poorer clients, for their households and their communities. What follows is the list of these hypotheses divided between those seen as core, and those as supplemental. Following each are comments from participants that add perspective on their meaning, or alternative ways of conceiving their content.

A. Core Hypotheses

Participation in microenterprise services leads to:

(at the household level)

H-1: increased household income.

While some participants felt that both cash and in-kind resources should be considered, others felt that this might be better defined as increased net cash flow. Still others felt that, while they agreed with the hypothesis, measurement difficulties demanded that proxy measures be used, with assets being the key one.

H-2: increased assets.

There was uniform agreement on the importance of this hypothesis and that the evaluation focus should be on key physical (housing, livestock, productive and key consumer durables) and financial resources (savings). Measurement should focus on the absolute number of items, as well as the direction of change.

H-3: increased household welfare.

Depending on program emphasis, this might be translated in a variety of ways. The focus could be on:
-- increased expenditures on food, clothing and education,
-- improved health and nutrition,
-- increased/improved sanitation, and

-- increased/improved access to health, sanitation, education services.

Each of these presents distinct measurement challenges which would have to be addressed in supplementary tools.

(at the individual level)

I-1: increased control of resources on the part of women clients.

All agreed on the importance of this outcome, although some were concerned about its measurability. There is a need to review evaluation studies that have focused on empowerment issues to consider how best to track this change. The percent of household income contributed by women was offered as one possible measure, and well as tracking who makes specific spending decisions.

I-2: no negative impact on children's labor.

All participants acknowledged that children naturally provided labor to home based businesses, and that this could be a positive outcome in the sense that it provides employment within a secure environment, as well as introduces children to significant economic education. Nevertheless, if children are drawn into the productive activities at the expense of education and play, this would be harmful.

I-3: increases in paid labor --and in productivity of labor-- for women without negative consequences.

Participants recognized that if microenterprises are successful in generating income, then clients will be more likely to invest more time in them. Further, that loans can enable them to use their labor more productively through bulk purchases, investments in technology, and other means. Participants also acknowledged that participation in these programs can lead to greater economic opportunities and self-employment options for women by providing loans that allow them to initiate activities that they had not been able to do so in the past. Whether these three ideas needed to be expressed separately, or could be captured in one hypothesis needs to be considered.

I-4: increased self-esteem on the part of women clients.

The importance of this hypothesis was argued by a portion of the planning meeting participants. NGO programs are interested not only in immediate material benefits to clients, but also in the acquisition of capacities and qualities that will support personal development and future well being. In this respect, women's self esteem is a critical stepping stone to behavioral changes, to

increased negotiating strength within the household, and improved outcomes for children. How this type of hypothesis might be addressed within the frame of practitioner tools must be reviewed in conjunction with I-1.

(at the enterprise level)

E-1: increased net worth in the microenterprises.

This hypothesis implies a consideration of both current and fixed assets, and also incorporates within it the notion that increased borrowing is expected to lead to investment in productive assets.

E-2: increased net cash flow from microenterprise activities.

While some participants argued that this hypothesis should focus on net income instead of cash flow, the intent is the same: to gain a perspective on the extent to which the productive activity is generating positive returns for the household. It is also not clear whether an attempt should be made to measure these changes directly. Several participants suggested that indirect measures reflecting structural changes in the microenterprise might suffice. Such changes could include: bulk purchases of inputs, diversification of products and enterprises, the advent of new clients, and less dependence on interlinked credit.

E-3: increased differentiation between the microenterprise and household.

This was proposed by one group of participants as a key sign of the growing importance of the microenterprise within the household's set of economic activities. How this might be operationalized would need to be carefully addressed.

(at the community level)

C-1: increases in paid employment by client households.

This would involve increases in the number of workers, or the number of hours worked by pre-existent workers, within the enterprises.

B. Supplementary Hypotheses

Participation in microenterprise services leads to:

H-4: increased diversification of economic activities over time and across household

members

H-5: increased reliance on high return productive activities.

It was recognized that the actual path particular individuals and households chose would depend on the stage of microenterprise development in which they were, on the context in which they were operating, and on the level of risk they were able to assume.

H-6: improved economic security through increased resources and returns.

All participants felt that improved economic security was an important benefit of microenterprise development. However, there was not clear consensus on whether this needed to be stated as an independent hypothesis, or if it was implied in the core hypotheses stated above. Proponents of this hypothesis underscored that the emphasis in this hypothesis was not necessarily on increases alone, but on maintenance of family position in periods of crisis.

E-4: increased labor productivity.

The notion behind this hypothesis is that microenterprise development implies not only an increase in the productive use of labor, but can also result in the better use of the labor applied, either to reduce overall time allocated to the activity, or to increase the products generated by the efforts involved. Since in many instances, women are interested in increasing returns while decreasing the total number of hours applied to productive activities, this could be a valuable outcome to track.

C-2: changes in natural resources and the quality of the environment.

For those programs concerned with issues of both environmental protection and enterprise development, the possibility of negative effects of the second on the first must be closely monitored. Simple tools to track environmental quality would enable practitioners to ensure that they "do no harm" in their efforts to promote economic well being.

This preliminary list of hypotheses reflects the sense of the NGO community with regard to why they engage in microenterprise development, and what they see as important. The list also presents challenges both in terms of simplification and operationalization of some of the key concepts involved. Nevertheless, the extent to which the final product can maintain the spirit of this initial list will be a measure of its likely success in serving the needs of NGOs.

One final point about these hypotheses: each reflects the interests of the NGO community, and hopefully that of the clients they seek to serve. At the same time, however, participants have voiced the need for evaluation tools that can assist clients in the articulation of their own goals, and in assessment of their progress in achieving them. This interest must also be considered in the tools development exercise that lies ahead.

VI. METHODOLOGIES

In attempting to test these hypotheses, practitioners have three potential categories of tools from which to draw: impact-oriented management information systems; quantitative surveys; and qualitative (rapid rural appraisal-style). As a first step in determining the best methods for each, three efforts were made to review current practice in the SEEP community: a desk study on management information systems; a survey of qualitative tools, and a review of selected survey instruments.

A. Management Information Systems

Twenty seven SEEP agencies responded to a survey seeking basic information on the impact tracking systems; and some 16 systems were reviewed in greater depth. The review indicates that while 88% of the survey respondents assessed the economic, social or environmental aspects of their programs in some way, there is a great deal of variation in how this is done, as well as widespread dissatisfaction with the systems currently in use.

Among the systems reviewed, there were few with a strong mix of microenterprise and household level indicators; while most collected basic outreach (demographic) data, the emphasis on the business, the household, economic or social data varied tremendously. If one were to use the number of agencies reporting against a particular category of indicators as a proxy for what institutions felt most strongly could and should be collected on an ongoing basis, the votes would look like this:

Outreach (numbers of participants; basic demographics): 78%
Gross business income (quantity of goods/services sold):48%
Employment:48%
Changes in Business and Household assets:46%
Enterprise net income (profits):39%
Health status:26%
Empowerment:26%
Nutritional impacts:26%
Education:22%
Housing and material goods:22%
Water supply and sanitation: 5%

Critical issues identified for an effective system include:

- selecting a core set of indicators that most reflect the institution's need for management (and being clear about their definitions),
- creating a baseline,
- tracking a sample rather than the whole, if numbers are large,

- pretesting information gathering tools, even questions on loan application forms,
- cross-checks for credibility,
- staff training, and
- data reporting forms and a clear analysis plan (including some statistical analysis, even if simple).

One major source of information for MIS systems are loan application forms, yet there is little common agreement as to what should be collected on these to track impact. For programs that do utilize loan forms, this is an important area for focus.

In reviewing these conclusions, participants recognized the widespread sense of dissatisfaction most practitioners felt with their MIS systems in terms of tracking impact. The issues of costs, skills, systems, use, and time all prove to be obstacles to the development of workable approaches.

At the same time, the goal of being able to capture some key data at low cost was a desired end that many felt merited further study. The extent to which this could be done as part of the Tools Development activity was a subject for debate. More examination of this issue was required: to consider what could be developed within the constraints of a small budget.

If this type of data gathering were to be part of the tools effort, some preliminary recommendations were made regarding which hypotheses might be addressed. These are included in Table 1 which follows this discussion.

B. Surveys:

In a review of six surveys undertaken by SEEP members and their partners, FINCA staff documented the following findings:

- In terms of content, the surveys addressed these areas:

Category:	Number of Surveys
Business type	5
Suppliers	1
Income	6
Costs	6
Credit	1
Uses	1
Technological Change	1
Health Care	3
Decisionmaking	1

Program Related Issues1
Demographics6
Housing1
Assets1
Family Planning1

- Three of the six used outside consultants to collect the data; only one trained the consultants and the training lasted 1.5 days.

- When staff were used to administer the questionnaire, the training provided ranged from none to half a day.

- Only two used control groups.

- Sample size ranged from 20 to 500. In one instance, the control group was twice the size of the project sample, possibly due to the creation of two types of controls: non participants within the community; and in non-participating communities.

- Only one or two of the surveys was pre-tested before administration.

- Only one of the surveys was part of the organization's monitoring system.

While the sample of surveys was not broad, the findings were sobering, as they reflected the areas in which there was serious need for improvement. Participants recognized that in addition to developing an instrument that met the content needs of practitioners, there need to be very clear messages about the requisite preparatory steps for carrying out surveys. The AIMS PVO/NGO tools manual would need to provide very full instructions on how to pre-test, how to train, and how to check questionnaires.

In looking at how a survey might be constructed to answer some of the hypotheses, participants concurred that instruments are needed for both a baseline and follow up survey (to be applied one to two years later). The survey instrument should capture basic demographics along with some key information on a limited number of the hypotheses. How this might look is contained in Table 1. There was some thinking that the baseline and follow up survey might not need to be carried out with the same respondents, so long as similar respondents were used. This notion was not discussed at any length during the meeting, but merits further investigation in the design phase.

C. Qualitative Tools

A discussion paper on qualitative tools documented the range of SEEP member

experience with these methods, which are designed to provide a more in-depth understanding of people's beliefs, motives and behavior. They can serve a variety of purposes:

- to perform participatory planning
- to track and identify categories of beneficiaries
- to understand the coping strategies of the most vulnerable, and
- to perform participatory monitoring and assessment in such areas as income, assets, household consumption, new employment opportunities, reduced debt burden, and change in human capital investments (health and education).

SEEP member experience with these types of tools has been difficult to document. Many evaluation reports do not discuss in detail the methods applied, nor do they include the actual instruments. The most common techniques applied seem to be review of records, simple surveys, focus groups, key informant interviewing, and observation. There has been some use of a few additional tools such as wealth ranking (Freedom from Hunger), and the creation of dream charts (a format for participatory monitoring of goal achievement used by Food for the Hungry/Faulu Kenya). There are real issues with regard to the type of training required to perform qualitative evaluation, and the skills of field staff. Focus groups, for example, are frequently used, but without great attention to doing so in a rigorous manner. There have been comments that the many qualitative tools in SEEP's *Step by Step Guide* are of interest to practitioners, but there is hesitation to apply them without additional instruction or training. These issues will have to be considered carefully in any use of this method in the tools kit designed under this project.

The discussion paper presented basic information on some 11 potential tools in this category. Participants reviewed and selected a limited number for further exploration under this program. These preliminary suggestions are included in Table 1. It is important to underscore that these suggestions are very preliminary. As participants reviewed the tools, there was the feeling that the operationalization of these forms required some serious thought; it was not certain that these were, indeed, the right tools, nor was it certain that all areas marked needed to be covered by a qualitative tool. Some participants felt that the existing tools were not well-suited to addressing the hypotheses in a meaningful way. Therefore, the qualitative tools work needs to be considered closely in conjunction with the survey instrument, and focused more on filling in the blanks where the survey might have little to offer.

Finally, it is useful to note that, like the hypotheses, these ideas are very preliminary, and will need to undergo more detailed consideration in the first stage of the tools design. Also of note, there are several hypotheses for which no data collection process was identified. These include the hypotheses associated with differentiation of the microenterprise from the household, employment, and increased

labor productivity. In addition, a number of items identified as part of the hypothesis associated with household welfare have not been addressed. Further work will have to be done to determine if and how they might be accommodated.

Table 1: Matching Hypotheses and Methods: Preliminary Suggestions

Hypothesis	Management Information Systems	Quantitative Surve
Core:		
H-1: increased income	simple, self-reporting (trends or actual amounts?)	
H-2: increased assets	collect savings and debt information on loan applications	key physical assets (hous livestock, key consumer durables) identified on list data collected; financial resources also; absolute number and dire of change
H-3: increased household welfare	aggregate data on food, clothing, education expenditures	expenditures on key consumption items (food, clothing, education, medic
I-1: increase control of resources by women clients		percent contribution to household income; who m what spending decisions
I-2: no negative impact on children	number of children involved in economic activities	
I-3: increases in women's paid employment-- and in productivity of labor	number of women in paid employment	
I-4: increased self-esteem on the part of women clients		
E-1: increased net worth in microenterprises	information on enterprise assets collected on repeat loan applications	data to be collected for cli enterprises at time of surv current assets, fixed asse liabilities (separate or combined)
E-2: increased net cash flow from microenterprises	data may be drawn from enterprise records for those that maintain them	
E-3: increased differentiation between microenterprise and household		

C-1: increases in paid employment		
Supplementary:		
H-4: increased diversification of economic activities over time and across household members	list of sources of income (or of productive activities)	income sources for all fam members; proportion of household income from ea source estimated
H-5: increased reliance on high return productive activities	production, sales and cost data	structural changes in such categories as: inputs, diversification of products enterprises; new clients; l dependence on interlinke credit.
H-6: improved economic security		see above
E-4: increased labor productivity		
C-2: changes in natural resources and environmental quality		
Clients' assessment of goal accomplishment		

VII. LOOKING AHEAD: PLANNING THE DEVELOPMENT PROCESS

In looking forward, participants at the planning meeting developed a schedule of activities that focus on three major elements of the work ahead: the design of the draft tools; the selection of sites for the two field tests; and the activities that need to occur during the field tests and afterwards to arrive at a completed package of tools. The proposed activities and their approximate months of accomplishment are outlined in Table 2. In addition, participants complemented this scheduling with some thoughts on staffing, costs, and other requirements.

A. Tools Design Process:

It is important to clarify upfront what a "tool" is and what a tool package contains. Given what has been learned about the state of PVO/NGO practice in evaluation, it seemed evident that the package would need to contain at least the following elements:

- guidelines for the pretesting of instruments (baseline and followup) included in the kit
- guidelines for training data collectors
- guidelines for adapting the tools to the local context
- sampling procedures for participants and comparison groups
- design for implementation of a longitudinal study
- analysis guidelines, including report formats
- time budget
- guidance on temporal issues
- guidance on using the results

Participants recommended that a committee be set up to work on refining the hypotheses (and potentially indicators) and that a core team be created to develop the tools, including one "hard core" evaluator, one microenterprise practitioner, and one trainer. In addition, their work should be supported by a team of reviewers based in the U.S. and field who could comment on the practicality of the approaches proposed, as well as identify any unresolved issues.

B. Site Selection:

The elements outlined above would serve as the basis for developing a framework for partnership or a mini- request for proposal that would be sent out to solicit potential partners for the field testing of the tools. In addition to the characteristics mentioned there, participants noted the importance of identifying "typical" NGO programs with which to work, and of being very clear about the mutual roles and responsibilities (including costs) that the test entailed, as well as specific indications of the windows of opportunity in which the test could take place.

It was proposed that a Selection Committee be formed including two representatives of SEEP's Evaluation Working Group, a representative of USAID and the AIMS team, and SEEP's Executive Director. Costs for this work in addition to staff time would include possibly one face to face meeting, three teleconferences, and some added communications and postage/delivery expenses.

C. Field Tests:

Participants focused primarily on the first of the two field tests. If possible, both sites would be identified at the same time, but the specific planning for the second test would follow completion of the first. Activities undertaken would parallel those of the first round.

It was recommended that a team of two to three be responsible for the test, with at least one of the members from the local site partner. Several assumptions were made about the test:

- Both a survey and qualitative tools would be tested. It was not clear if work would be done on revising an MIS system at the same time. If so, additional time might be required.

- While it was expected to take up to five days to train the staff to use the tools during the test, the aim would be to create a training plan that would normally require only two to three days. The training process would include the pre-testing of the tools.

- Data collection would be undertaken on a sample of 60 clients (30 new clients, and 30 old clients). An undefined number in a comparison group would also be interviewed. There would be five interviewers completing four surveys, and the companion qualitative tools each day. This size group would not suffice for a complete program impact assessment, but it would be large enough to constitute a test of the tools, as well as provide some interesting insights to the cooperating partner about their clients and program.

- The documentation at the end of the test should include a report of the test findings to feedback to the cooperating partner, and to demonstrate a reporting protocol. It should also include a draft tools manual that would serve for the second test, at least in part. As the second test might also include some supplementary modules not included in the first, new material might also have to be developed.

The estimated time for the completion of each of the tasks outlined here is a

rough first cut. A more final estimate of days will need to be developed and aligned with the available budget for this activity.

Table 2: Work Plan for Tools Development

Task	Months									
	1996									
	8	9	10	11	12	1	2	3	4	5
I. Tools Design										
1. define tool elements	x	x								
2. clarify hypotheses and indicators	x	x								
3. create tool user profile	x	x								
4. decide tools; create matrix defining use of each		x								
5. draft tools and guidelines			x	x	x	x				
6. draft analysis and report guidelines			x	x	x	x				
7. develop final tools package for test (menu of tools; list of tasks, etc.)						x				
Time Estimate:	166 person days									
II. Site Selection										
1. draft framework for partnership including partner selection criteria, expected costs to partner, responsibilities of each party, timing	x	x								
2. send framework to SEEP members, both headquarters and directly to field sites (including core impact sites) soliciting preliminary expression of interest, and profile of program		x								
3. review profiles and select short list			x	x						
4. draft memorandum of understanding and send to short list; obtaining information re local costs, and level of commitment				x	x					
5. choose sites and negotiate agreement						x	x			
Estimated Time:	10 person days?									
III. Field Tests										
1. select field test team					x	x				
2. set up testing plan with local partner							x	x		
3. translate tools into local language							x	x		
4. review proposed tools and test plan on site with partner, making modifications and selecting study sites									x	

5. train field staff as data collectors (including pre-test and selection of sample)									x	
6. make necessary revisions									x	
7. sample (both participants and comparison group) and collect data									x	x
8. reflection and feedback on the process of data gathering										x
9. tabulate and analyze results										x
10. reflect on findings										x
11. document: evaluation report and tools "manual"										
12. refine/revise tools for next tests (at this site, and second site)										
Estimated Time:					110-150 person days?					
13. Commence planning for second test										

Notes:

Specific Time Allocations for Design Task:

- definition of tool package, clarification of hypotheses, indicators, user profile and matrix: 25 person days
- tools development: 120 person days
- tools matrix, menus, test guidelines 10- 20 person days

Specific Time Allocations for Field Test:

- select team and set up test with partner 10 person days
- translation 20 person days
- review and modify plan on site (2 - 3 days using 2 to 3 person team) 6-9 person days
- field staff training, pretest, and sampling (5 days) 15 person days
- revisions (1 day) 3 person days
- data collection (10 working days) 30 person days
- reflection/feedback: 1 day event 3 person days
- tabulation and analysis: (2 -3 days) 6-9 person days
- reflection on findings: 1 day event 3

person days

- documentation 20-30
  person days
- refine/revise tools 20-30
  person days

VIII. CONCLUSION

In looking ahead to the next stages in the design of practitioner tools, the road seems daunting. Defining a package of instruments and guidelines to serve many organizations and contexts will not be easy. At the same time, the demand from the field for a clear and straightforward set of guidelines argues for an effort of this nature. It is expected that as work on this project moves forward, much of the preliminary thinking included here may be superseded. To the extent that the process continues to find ways to draw upon the experience of a wide range of PVO and NGO practitioners, however, the road will be a correct one.

ANNEX A: AIMS DESK STUDIES

Barnes, Carolyn. "Assets and the Impact of Microenterprise Finance Programs." June, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Chen, Martha and Elizabeth Dunn. "Household Economic Portfolios." June, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Dunn, Elizabeth. "Households, Microenterprises and Debt." June, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Dunn, Elizabeth, Nicholas Kalaitzandonakes and Corinne Valdivia. "Risk and the Impacts of Microenterprise Services." June, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Gaile, Gary L. and Jennifer Foster. "Review of Methodological Approaches to the Study of the Impact of Microenterprise Credit." June, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Hyman, Eric and Kirk Dearden. "A Review of Impact Information Systems of NGO Microenterprise Programs." July, 1996 (draft). Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Inserra, Anne. "A Review of Approaches for Measurement of Microenterprise and Household Income: Background Paper." August, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

Sebsted, Jennefer and Gregory Chen. "Overview of Studies on the Impact of Microenterprise Credit." June, 1996. Paper submitted by the AIMS Project to USAID. Washington, D.C.: Management Systems International.

ANNEX B: TOOLS MEETING PARTICIPANTS

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Judy Painter, FINCA
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ANNEX C: CONCEPTUAL MODEL OF HOUSEHOLD ECONOMIC PORTFOLIO